

BENCHMARKING THE BUSINESS OF SUSTAINABLE SMALLHOLDER FARMING

Introduction

This is an updated advocacy briefing from the African Smallholder Farmers Group on the Benchmarking the Business of Agriculture project being led by the World Bank. It responds to the publication of the draft indicators and to our recent discussions with the World Bank. It outlines our remaining questions and requests regarding the content and process of both the BBA and the broader Agricultural Transformation Index.

Government policy and smallholders' access to markets

Smallholder farmers have an ever-growing role in supplying food to the world's population and in the process of economic and social development. Their ability to contribute to food security, increase their own incomes and contribute to local economic development through access to markets is, however, too often hindered by government legislation, policies and practices that fail to recognise or meet their needs.

In recognition of this, the UK-based African Smallholder Farmers Group (ASFG)¹ commissioned a review to identify what factors are most important in enabling smallholder farmers to develop and flourish as important players in food and agricultural market systems and in local economic development. Based on these factors, we have developed a framework of questions that indicate what kinds of government interventions are necessary for smallholders to flourish.

A summary of that framework is appended to this briefing.

Benchmarking the Business of Agriculture – our response

The World Bank, with the support of the Gates Foundation and UK, US and Danish governments, has at the same time been developing its own indicators for 'Benchmarking the Business of Agriculture' (BBA), part of a broader Agricultural Transformation Index (ATI).

Having seen the details of the BBA, we welcome much of the content². We believe that the BBA has the potential to promote government actions that can support smallholders, if it gives sufficient attention to the issues that affect them.

We appreciate the constructive discussions we have had so far with the World Bank team

1 The ASFG is a network of UK-based international organisations that share a common commitment to working with and learning from smallholder farmers in Africa. See www.asfg.org.uk for details of members. The literature review has been informed by contributions from a number of ASFG members, and has been led by Practical Action, CAFOD, Christian Aid and Self Help Africa, with comments from Garden Africa.

2 The existing indicators circulated in June by the World Bank cover the following areas: agricultural inputs (including seed and fertiliser); land; rural finance; markets, trade and rural transport. Indicators on water and rural energy are expected but have yet to be circulated.

working on the indicators and will be commenting in detail on the strengths and weaknesses of particular sections in the coming months.

In our discussions with the World Bank team, there has been a commitment on their part to address our concerns that gender and producer organisations receive no attention in the current set of indicators.

We understand that other parts of the broader ATI will deal with other key areas currently omitted from the BBA, in particular sustainability and on-farm productivity. Yet, we also understand that work has not begun on other parts of the ATI and donors have yet to commit any funds to support the development of the rest of this broader index.

On-farm productivity and sustainability are both crucial factors in ensuring smallholder farmers are able to increase their incomes and contribution to economic growth and food security through improved access to markets. The President of the World Bank has [called on the world to get better at climate-smart agriculture and to start this process now](#), so it is vital that the World Bank uses the work it is doing now on agricultural indicators to promote this. Without improvements in on-farm productivity through, for example, better access to extension services and appropriate research, farmers will not be able to benefit from any progress in improving their access to markets.

We are concerned that without attention to these issues within the BBA or progress on the broader ATI, the indicators will promote action in some areas while neglecting these crucial issues.

Questions and requests for donors

The ASFG is therefore asking partners involved in the development of the ATI and BBA for responses to the following questions and requests:

- ⤴ What efforts are being made to ensure that the rest of the ATI is developed and completed in a timely fashion?
- ⤴ By when do the World Bank and donors to the BBA/ATI hope to see the ATI completed?
- ⤴ Have donors committed funds to the development of the ATI, or do they plan to? Are efforts being made to raise funds from other areas?

Principles and recommendations for the development of the BBA and ATI

Should there be no prospect of immediate progress on the broader ATI, we are asking donors to join us in calling for the BBA to include indicators that capture progress towards more sustainable, climate-smart agriculture and steps that will improve farmers' ability to produce more that is of better quality.

We are also asking the World Bank to consider the following principles in the development of the BBA, and, in turn, other parts of the ATI:

- ⤴ The World Bank and its partners use the BBA project as an opportunity to promote a better enabling environment for smallholder farmers in Africa by capturing and measuring the factors that affect them most.
- ⤴ To do this, they consider the factors highlighted in the ASFG framework which, though not exhaustive or guaranteed to help every smallholder, identify issues that are most important in maximising African smallholder farmers' participation in markets.
- ⤴ The BBA should help governments and donors develop positive enabling environments for smallholder farmers. No framework, including our own, can be exhaustive and local context and needs should be the primary driver for change.
- ⤴ The process for designing the BBA needs to be opened up more widely for consultation with, and input from, civil society including, importantly small-scale farmers themselves.
- ⤴ The views and perspectives of smallholders should inform the methodology for developing the BBA, along with data on individual country contexts.
- ⤴ The BBA needs to reflect the fact that in Africa domestic markets are growing and will expand massively in coming years. These markets often offer the greatest benefits to smallholders.
- ⤴ The BBA focuses equally on on-farm factors such as access to affordable and relevant extension services, as well as secure access to critical inputs and resources, that impact on the ability of farmers to produce the quality and quantities demanded by markets.
- ⤴ The BBA measures the extent to which government interventions, policies and regulations support environmentally and economically sustainable smallholder commercialisation.
- ⤴ The BBA measures the support given to commercial self-organisation among smallholder farmers.
- ⤴ The BBA measures the gender sensitivity of government policies and interventions to support commercial agricultural transformation.

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For more information please contact:

- Claire Hickson: claire@triopolicy.co.uk
- Alison Griffith: alison.griffith@practicalaction.org.uk
- Kato Lambrechts: klambrechts@christian-aid.org.uk
- Sarah Montgomery: smontgomery@cafod.org.uk

APPENDIX1

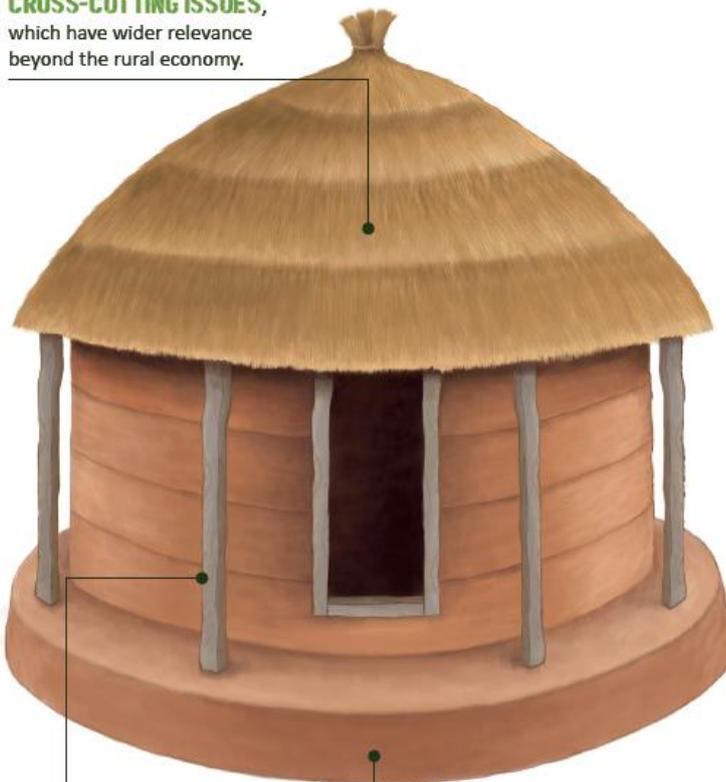
ASFG Framework – a summary

Smallholder farmers, particularly women, face many challenges in increasing their productivity and incomes. Many of those challenges are the result of government legislation, policies and practices that fail to provide the kind of foundations and support required for them to successfully enter and sustain their participation in markets. Changing developing and implementing existing or new policies is therefore essential to progress.

Creating the pressure for change depends on having a clearer understanding and better dialogue about what steps need to be taken to improve the enabling environment for smallholder farmers. The ASFG has therefore set out to develop a framework of key policies and actions that can be used as a basis for dialogue. This was done by reviewing the huge amount of literature on the constraints facing smallholder farmers and the factors that have contributed to successful market participation.

The framework is comprehensive though not exhaustive. It sets out those policies, laws, regulations and practices that can support Africa's smallholder farmers in becoming market ready, and in sustaining their market participation. It identifies key laws, policies and practices in the following areas:

CROSS-CUTTING ISSUES,
which have wider relevance
beyond the rural economy.



PILLARS,
which specifically
support smallholder
farmers.

FOUNDATIONS,
which potentially
benefit the entire rural
population, including
smallholder farmers.

- ▲ **Foundations:** the necessary but not sufficient conditions for smallholders to increase production and access markets, which are equally important to other parts of the rural economy;
- ▲ **Pillars:** which specifically support smallholder farmers; and
- ▲ **Cross-cutting issues:** which have wider relevance beyond the rural economy.

Based on evidence from the literature review, a range of possible indicator questions (annexed to this note) are suggested for assessing whether governments have in place the right enabling environment to facilitate smallholders' greater participation in markets.

The framework consists of *foundations* that support the entire rural economy and *pillars* that support smallholder farmers

specifically. We discuss both the foundations and the pillars briefly below. A number of issues run through the entire structure as *cross-cutting issues* which are of great relevance to every area included in the framework.

The issues cutting across this policy framework are:

- ⤴ Gender equity
- ⤴ Climate change
- ⤴ Food security

These cross-cutting issues are discussed in detail in the full version of the framework. Outlined below are each of the key foundations and pillars and, under each of them, the areas around which indicators could be developed.

Foundations

Key foundations for market access are:

- ⤴ Rural infrastructure, including rural feeder roads, modern energy services, irrigation and large-scale drainage, and storage and warehousing;
- ⤴ Rural public services that support human development, such as health, education, and water and sanitation;
- ⤴ Rural investment climate or enabling environment for business, including small-scale businesses.

Investment in rural public goods, such as infrastructure and public services, has been shown to be key to agricultural growth and poverty reduction, as is a policy environment helpful to small and medium sized businesses. Africa continues to suffer from a significant infrastructure gap, particularly in paved road coverage and irrigation infrastructure.

<i>Foundation 1: Rural infrastructure - including rural feeder roads, modern energy services, irrigation and large-scale drainage, and storage and warehousing.</i>
What percentage of the national budget is allocated to agriculture? Are funds earmarked specifically for interventions that benefit smallholders?
What is the level of investment in appropriate and sustainable rural infrastructure – including rural feeder roads, modern energy services (including off-grid provision), irrigation and drainage, and storage and warehousing?
Are any measures in place to incentivise and support Ministries of Agriculture and Finance to take into account the needs of smallholder farmers in their budget planning and allocation?
Are any incentives in place for private enterprises to provide alternative infrastructure services; to develop demand-driven prototypes and models that promote sustainability and access, and creative financial models to accelerate provision of sustainable infrastructure services?
<i>Foundation 2: Rural public services that support human development, such as health, education, and water and sanitation.</i>
What is the level of expenditure on rural public services, including health, education, and water and sanitation?
Are women, those who are politically, socially and economically excluded, and geographically remote smallholder farmer communities effectively targeted in the provision of these public services?

Foundation 3: The rural investment climate or enabling environment for business, including small-scale businesses.
Are property rights recognised and protected?
Are taxes affecting agricultural investors, including smallholder farmers, relatively low and spread over a wide base?
Are inflation, interest and exchange rates stable and at manageable levels?
What are perceptions of sovereign risk? Are farming communities at risk of conflict which could result in destruction of lives and livelihoods and/or forced migration?
Is an effective system of contract enforcement in place, and is it accessible and affordable to all investors, including smallholder farmers?

Pillars

Pillar 1: access to land and water

The natural resources on which agriculture is based, particularly land and water, are becoming degraded and there is growing competition for their use. Smallholders with weak rights to land and water are facing increasing threats to their access, undermining their ability to increase production. The effects of climate change exacerbate the situation, and these are expected to intensify over time.

Pillar 1: Access to land and water
1a. Land
To what extent is land titled and registered? How easy is it to register land?
Do land policy frameworks accommodate and build on customary norms and practices?
Are policies in place to ensure the sustainable management of common property resources?
To what extent do land laws guarantee secure tenure for the poor, for women and for other vulnerable groups?
Are special provisions in place to close the gender gap in land access? For example, is there a legal requirement for national and local institutions to include women in land management and allocation decisions and in dispute resolution mechanisms?
Do smallholder farmers, in particular women farmers and the poor, have access to justice and affordable legal services to resolve land disputes?
Are key international guidelines and frameworks being utilised for responsible governance and investment in land and natural resources and to safeguard the interests of the poorest and most vulnerable?
1b. Water
Does the government prioritise investment in infrastructure to improve smallholder farmers' access to water, including supporting the development of on-farm water management and water harvesting technologies?
Does the government implement water use policies?
Are water rights recognised and protected? Is special provision made to protect the rights of the most vulnerable and excluded?
Where water rights are controlled by the private sector, are regulations in place to ensure good governance of the water source and consultation with communities and farmers who rely on it for their livelihoods? Does the government monitor water-sharing commitments in contracts signed with corporate land investors?
Are implications for water users adequately considered in granting land access to large-scale foreign and domestic investors? Does the pricing of such deals take full account of impacts on water availability and existing users' rights of access?

Pillar 2: inputs and credit

Agricultural inputs are today typically provided by the private sector but there are many market failures. State intervention is required to correct these failures, though it is a challenge to design interventions in a way that effectively delivers improved access to inputs and credit markets for smaller producers, in particular to women farmers. Subsidies can help to overcome the issue of cost, although there are strong arguments for redirecting these towards sustainable, resource-enhancing and affordable farming approaches that work well for smallholder farmers with limited assets and incomes.

<i>Pillar 2: Inputs and credit</i>
Is the state taking appropriate action to ensure sustainable provision of inputs to smallholder farmers? (This could include, but should not be limited to, smart subsidies.)
Are effective parastatal marketing board services or other relevant institutions providing access to input markets?
Are any measures in place specifically to facilitate women farmers' access to inputs?
Are the voices of smallholder farmers, especially marginalised women farmers, heard and acted upon in decision-making on access to inputs and credit?
Are competition laws in place to prevent the creation of monopolies in input markets?
<i>2a. Seeds</i>
Do national seed laws recognise and protect farmers' rights and access to seeds of their own choosing, including both modern and local varieties?
Are the rights of farmers to freely breed, conserve and exchange traditional seed varieties enshrined in law?
Are affordable seeds of good quality, adapted to the changing climate, available for purchase?
Does government support the design of seed programmes and policies that promote and/or strengthen entrepreneurship in both formal and informal seed systems, including through support for seed banks?
<i>2b. Fertiliser</i>
Are incentives available to encourage wider distribution of affordable fertilisers and quality advisory services on their correct application?
Does the government allocate sufficient funding for research and extension services specifically aimed at supporting integrated soil fertility management?
Are incentives available to private enterprises and other entities providing integrated soil management services to smallholder farmers?
Are smart subsidies or other incentives available to support farmers during the adoption of agro-ecological techniques to enhance soil nutrition (including, where appropriate, adoption of agro-forestry practices)?
<i>2c. Credit</i>
Does the state provide or support institutions that provide affordable and flexible financial products which are well-suited to the needs of smallholder farmers, such as agricultural development banks?
Are incentives in place to encourage innovation from the private sector in meeting the credit and other financial needs of smallholder farmers? (For example, to promote buyer contracts as secure collateral to access credit/insurance.)
Does the state provide or promote financial literacy training among smallholders, and capacity building/skills development in the financial sector to facilitate better service provision to smallholder farmers?
Does the government support or participate in any loan guarantee funds that target smallholder farmers?

Pillar 3: markets

Support for smallholder farmers should not focus only on helping them increase production; access to markets that deliver fair returns is as important. Farmers need to have an entrepreneurial mindset, thinking from the outset about what they will sell, to whom, and when; but they also need more support from both the public and private sector to access those buyers and optimise their returns. Domestic markets hold greater promise for smallholders because of their rapid growth, fierce competition in export markets and the higher costs of certification and meeting international standards. Governments can take steps to boost local demand and incentivise sourcing from smaller producers, as well as taking general steps to improve farmers' access to domestic markets. The majority of farmers will not benefit from being integrated into corporate supply chains such as contract farming without concerted action to protect their interests and ensure fair value sharing, and support for farmer groups. International trade policies continue to damage smallholders' market opportunities by distorting local prices.

Pillar 3: Markets
Does government direct its support for improving smallholder farmers' market access towards domestic markets, rather than to focus primarily on export markets? For example: <ul style="list-style-type: none">⤴ Are any measures in place to boost local demand and strengthen the market for local smallholders' output?⤴ Are any preferential public procurement policies in place which prioritise smallholder producers?
Are buyers encouraged and incentivised to source from smallholder farmers? Is explicit provision made in such incentive packages for targeting women farmers and other vulnerable groups?
Does government provide any specific support to smallholder farmers to strengthen their bargaining position in dealing with agribusiness and other corporates, for example through public extension services that include modules on contracts and rights, or facilitating the development of and access to private sector providers of similar services?
Are smallholders supported in group certification and adherence to international market standards?
Does the government use all the legal and negotiating tools available (i.e. anti-dumping measures, import tariffs, trade negotiations) to reduce the impact of international trade rules and agricultural policies that reduce returns to smallholder farmers through distorting local prices (such as developed country export subsidies; import tariffs on processed foods; or production incentives that lead to over-supply and dumping)?

Pillar 4: research and extension services

Evidence confirms that it pays to invest in agricultural research and development as such investment has a significant effect on sectoral growth. Investment levels in Africa are far below what is needed to help farmers effectively respond to the challenges of increasing yields and building resilience in the face of climate change. Funding for research into sustainable intensification will have to come primarily from the state. Farmers need to have a greater say in setting research agendas. A strong extension system is critical to moving research from the lab to the field, but extension coverage in Africa is very low, requiring renewed investment from the state and an incentivised private sector. Extension services can no longer have a simply technical agenda. In the service provision model, the focus is shifting to pluralistic and demand-led approaches. Research and extension can help narrow the gender gap in agriculture.

Pillar 4: Research and extension services
4a. Research
What percentage of overall agricultural investment is directed towards research and development?
Are incentives in place to attract and facilitate private sector investment in research to help bridge any funding gap? Are clear guidelines in place to ensure such research takes account of the needs of smallholder farmers, not just large-scale commercial producers?
What support and incentives are in place to encourage research into sustainable agriculture, including agro-ecological production, fertilisation and pest management approaches and participatory breeding of climate-adapted seeds?
What platforms are available for smallholder farmers to provide input into research agendas?
4b. Extension services
What is the extension coverage? Are incentives in place to encourage alternative models of extension service delivery where public provision is inadequate?
What measures are taken to ensure extension curriculums are up to date and meet the needs of smallholders – for example, that they incorporate modules on new innovations in climate sensitive agricultural practices, access to markets and gender equity?

Pillar 5: collective action

Cooperatives can help smallholders work together to create economies of scale in procuring inputs and credit and enable them to collectively negotiate and enter into contracts with suppliers and customers, such as large domestic and international companies. Effective aggregation of smallholders' capacity is essential to the development of workable supply chains.

Pillar 5: Collective action
Is legislation in place to facilitate collaboration? What forms of incentives are used to encourage collective action (e.g. tax incentives)?
Are there clear rules on management, ownership and governance of producer organisations?
Does the legal framework recognise and protect organised farmer groups that are not legal cooperatives? Does the policy framework promote farmer groups other than formal cooperatives?
Does legislation/regulation make explicit provision for including poor/marginalised farmers, for example by making inclusiveness and member empowerment a prerequisite for registration and access to support? Is female representation in governance structures specifically supported, e.g. through quotas?
Is there a legal requirement to assess the social and political impacts of economic reforms on smallholder farmers?
Is there a legal requirement to consult with smallholder farmers on policies that will affect them? Are special measures in place to ensure women are adequately represented in consultations?